

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

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### Weekly Highlights and Hot Bites No. 15

#### Report Categories:

Agriculture in the News

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#### Report Highlights:

\*Inflation touches 9.9 percent in March\*, \*Malnutrition to obesity: India's healthcare paradox\*, \*Food Act dole may cost Rs.630 billion every year\*, \*ICAR develops transgenic chicken\*, \*Milk accounts for 15% of spending on food\*, \*GM plans biodiesel based vehicles\*, \*Export duty slapped on cotton\*, \*The promise of food processing\*, \*Weak links in the logistics chain\*, \*Drop in soymeal exports keeps poultry feed prices in check-PFI\*.

## **General Information:**

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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## **INFLATION TOUCHES 9.9 PERCENT IN MARCH**

The overall inflation settled at 9.90 percent in March although prices of food and manufactured products eased. This is the highest inflation figure since October 2008. Inflation was 9.89 percent in February. Finance Minister Pranab Mukherjee said that inflationary pressure will stay till June 2010. He was of the view that inflation will cool down after the rabi crop harvesting is complete and clearer indications of a good monsoon are available. Food price inflation for the week ending April 3 eased to 17.22 percent compared to 17.70 percent in the previous week. (Source: Asian Age, 04/16/10)

## **MALNUTRITION TO OBESITY: INDIA'S HEALTHCARE PARADOX**

India now stands at the crossroads of improving health indicators and achieving the Millennium Development Goals. "We are at a difficult time. While millions of children are dying due to hunger and malnourishment, lifestyle diseases are on the upswing among urban populace," said Dr. D.K. Gupta, President of the Federation of Association of Pediatric Surgeons in South Asia. While states such as Uttar Pradesh, Bihar, Madhya Pradesh, Chhattisgarh and Orissa are leading victims of malnourishment, more literate and rich states such as Punjab, Kerala and Tamil Nadu are going the obese way. With economic prosperity came unhealthy lifestyle and poor eating and working habits. Cardiovascular diseases, several forms of cancer, diabetes and hypertension silently kill millions every year. (Source: Business Line, 04/08/10)

## **FOOD ACT DOLE MAY COST RS. 630 BILLION EVERY YEAR**

If Planning Commission Deputy Chairman Montek Singh Ahluwalia's indication that 35 kg of foodgrains per family and Tendulkar Committee estimate of 83 million Below Poverty Line (BPL) households could be the basis of the National Food Security Act, then the government's food

subsidy bill adds up to a staggering Rs. 637.5 billion (\$14.3 billion) a year. At 25 kg per BPL family, it is slightly less at Rs. 542 billion, which is roughly the food subsidy budgeted by the government for IFY 2010-11 (Apr-Mar). This is equal to the UPA government's farm loan waiver, which was initially budgeted at Rs. 600 billion but finally added up to Rs. 720 billion. Going by the Tendulkar Committee estimate of BPL families at 83 million, the BPL segment will need 34.5 million tons of grains. If the APL segment is retained, total grain requirement will be 53.6 million. There is added fear that if such quantities are sourced through domestic government procurement, it will have an inflationary impact on domestic retail grain prices. (Source: Times of India, 04/14/10)

### **ICAR DEVELOPS TRANSGENIC CHICKEN**

The Project Directorate on Poultry (PDP) at Hyderabad has claimed development of transgenic chicken which can grow in short duration. According to a statement by the Indian Council of Agricultural Research, a team of scientists at PDP have transferred a gene from different species into chicken that results in shorter generation interval and higher productivity in chicken. (Source: The Financial Express, 04/13/10)

### **MILK ACCOUNTS FOR 15% OF SPENDING ON FOOD**

The National Sample Survey Organizations's (NSSO) household consumer expenditure survey for 2007/08 reveals that milk accounts for 14.9 percent of the average spending on food in rural areas, and 18.3 percent in urban India. The milk basket – which includes derived products such as butter, curd, baby food, ice cream and clarified butter- share is next only to cereals and more than vegetables, edible oils, egg/fish/meat, pulses, spices, fruits and sugar. The NSSO data also reveals that milk has the unique superior status among consumers, i.e., it is proportionately consumed more with a rise in incomes. (Source: Business Line, 04/7/10)

### **GM PLANS BIODIESEL BASED VEHICLES**

The success of a project on jatropha in Gujarat could make General Motors India introduce biodiesel capable products as part of its global efforts to synergize business with alternative sources of green energy. GM has recently entered into a tripartite agreement with US Department of Energy and the Central Salt and Marine Chemical Research Institute (CSMCRI) on a \$950,000 five year project in Gujarat. CSMCRI unveiled a GM vehicle – Tavera- run on a B-100 jatropha methyl ester produced through an internationally patented process. In India, GM also has an independent biodiesel project near Pune in Maharashtra. (Source: Business Line, 04/13/10)

### **EXPORT DUTY SLAPPED ON COTTON**

The government has imposed export duty of Rs. 2,500 (\$56) per ton on exports of raw cotton, and 3 percent on FOB value of cotton waste with effect from April 9, 2010. The government has also stipulated that cotton yarn exports be registered with Textile Commissioner's Office. The export duty on cotton has been imposed due to rising cotton prices in the domestic market.

However, the government's move has been strongly opposed by exporters as it will send a negative message to farmers as they prepare for cotton sowing for the next season. Exporters are also worried that the export duty may lead to disputes on export contracts for about 2.0 million bales cotton that have been registered without taking into account the export duty.

However, spinning mill sources report that the export duty will not curb exports. (Source: Business Line, 04/14/10)

### **THE PROMISE OF FOOD PROCESSING**

Food price inflation has been talk of the year, the fact that these high prices are not translating to the farmers has also been a major concern. To deal with it the GOI Budget for this year made a high pitch for food processing. Adding on infrastructure can no longer be a solution to address the food issue and shelter of the processing industry is must. This year's budget speech indicates setting up of five major food parks. The value addition of linking farm to plate looks like a sweet solution but it needs to reconcile the interests of producers, processors and consumer. (Source: Business Line, 04/07/2010)

### **WEAK LINKS IN THE LOGISTICS CHAIN**

With different sectors outsourcing their logistic needs from third and forth party service providers, it is vital for the country to strengthen the logistic infrastructure. The major challenge is to have organized warehousing spaces of about 25-30 million Sq.ft in addition to the available space of 1800 million sq.ft. to meet the expected growth in warehousing sector. At present, most of the warehouses and cold storages are outdated and have just grown out of traditional stores.

Government data indicates that in India, having 5400 cold storage facilities with capacity of about 24 mt, about 60mt of food and vegetables are wasted due to inadequate cold storage.

With a policy of 100 % FDI in cold chain facilities and a 16% excise duty concession for cold storage refrigeration equipment, many global cold chain suppliers are expected to enter the Indian market. (Source: Business Line, 04/12/2010)

### **DROP IN SOYMEAL EXPORTS KEEPS POULTRY FEED PRICES IN CHECK-PFI**

According to Poultry Federation of India (PFI), drop in soymeal exports in recent months has helped the poultry farmers in India to keep down their cost of operation especially during summers when demand for poultry products come down. Corn prices in the wholesale markets

have also remained stable at Rs 11,000 per ton over expectations of a bumper harvest. As a result, feed prices have also stabilized at around Rs 17,000 per ton the last two months and farmers anticipate that prices might decline further in the next few weeks. Poultry feed accounts for around 70 percent of the total cost of production of eggs and chicken. Total feed consumption in the poultry industry in India is around 15 million tons at an estimated value of Rs 150 billion. An official from the National Egg Co-ordination Committee (NECC) said that besides stable feed prices, prompt action taken by the government against spread of bird flu has also helped industry. "We are better prepared for the summer months and by keeping the prices down we would deal with summers," a NECC official said. (Source: Financial Express, 04/12/10)

#### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN1028	Weekly Hot Bites, #14	04/09/2010
IN1029	Cotton and Products: ANNUAL 2010	04/09/2010
IN1031	Oilseeds and Products: ANNUAL 2010	04/15/2010

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